

Economic Development Incentives for North Lake Tahoe Town Centers

The Economics of Land Use



presented to

Placer County

presented by

Economic & Planning Systems, Inc.

February 24, 2015

Economic & Planning Systems, Inc.

2295 Gateway Oaks Drive, Suite 250, Sacramento, CA
916.649.8010 • 916.649.2070 fax

Joe DeCredico Studio

800 Bancroft Way, Berkeley, CA
510.755.4710

Oakland
Sacramento
Denver
Los Angeles

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Vision:

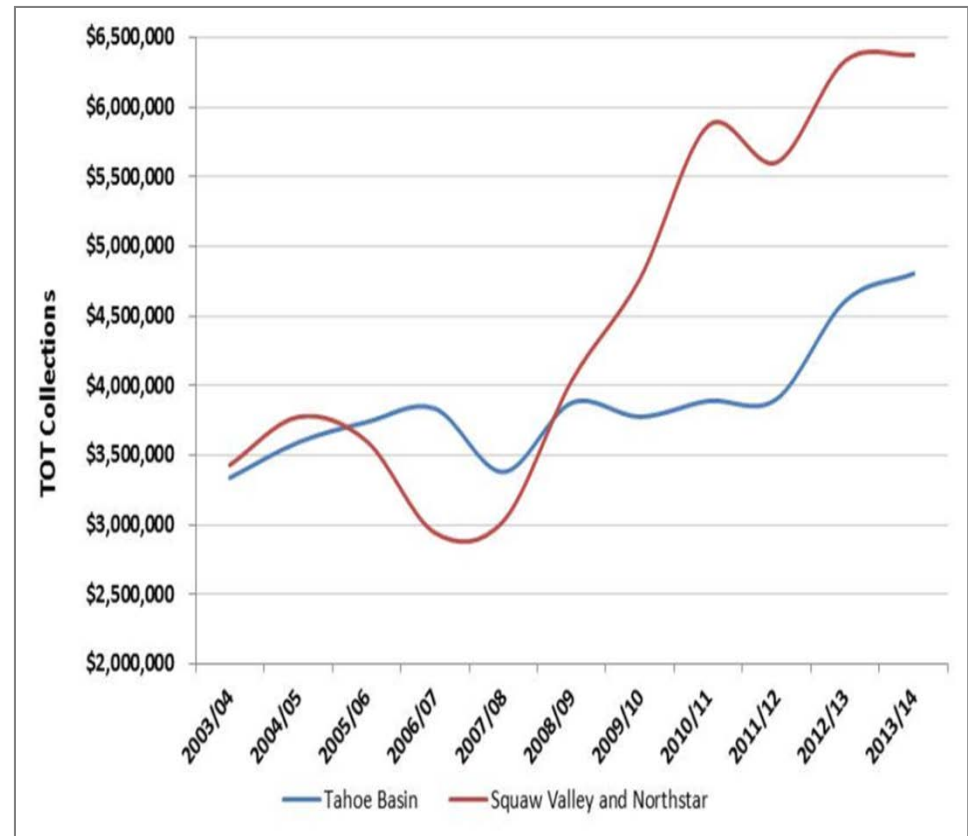
- Establish viable Town Centers demonstrative of best practices in sustainable environmental design and implementation.
 - Advance TRPA goals for Town Centers
 - Best practices in stormwater management
 - Reduced trip generation
 - Improved aesthetics
 - Redevelop blighted Town Center properties consistent with market demand and quality of natural environment

Outcomes:

- Environmental improvements
- Tax Revenue for Placer County public services
- Deeper and more diverse local economy for residents and visitors

Challenge: Losing Market Share

- **Losing Market Share**
 - Regional/ Northern California
 - Domestic
 - International
- **Significant new tourist accommodations** and mixed-use development in the Placer County Town Centers of Tahoe City and Kings Beach have not been developed for more than 50 years.
- **How can Tahoe Basin communities offer a compelling package?**
 - Mixed use and infill projects offer environmental benefits and fulfill latent market demand.



Time is of the Essence

- **Economic fundamentals are improving** in support of accommodations and mixed use projects; however low interest rate environment may be short-lived
- **Viable development/investment groups** are currently pursuing projects
- **Excellent reuse prospects** in multiple Town Center opportunity sites
- **Capitalize on investor interest and favorable borrowing rates** now to benefit from the current economic cycle

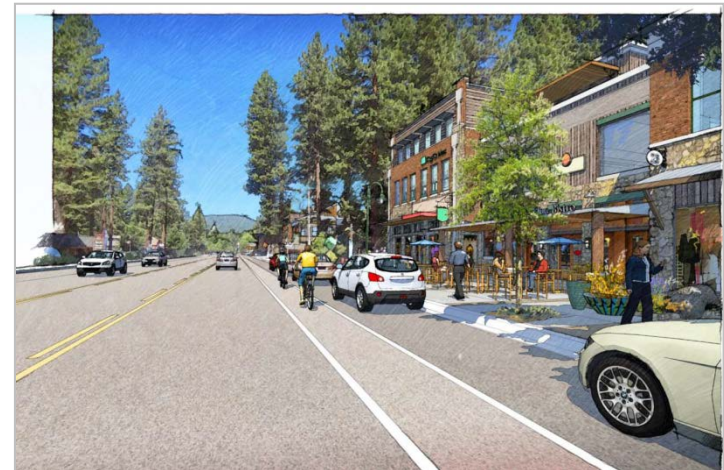


Town Center and Mixed-Use Development: Strengthening the Placer Economy

- Although tourism economy continues to expand, **lodging stock fails to meet consumer demand**
- **Improved lodging would stimulate visitor spending** in key retail categories, leading to more complete communities
- **Strong indicators of market support** for updated lodging and mixed-use product in the Town Centers
- **Opportunity to incorporate into the Area Plan** is consistent with RPU to get environmental redevelopment
- **Overnight stays are critical** to enhancing existing business sales, stimulating new investment, and protecting the environment by reducing auto dependence:
 - 42% of visitor trips to North Lake Tahoe are day-trips
 - 86% of spending comes from overnight travelers

Economic Context for Private Development

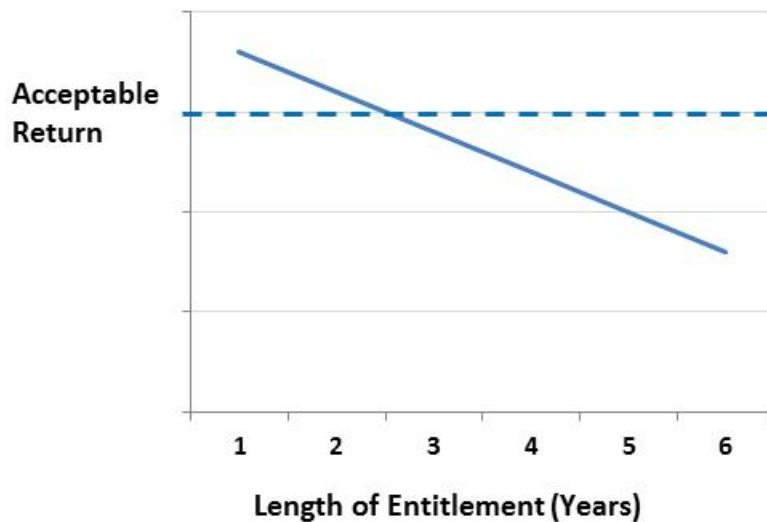
- **Investment risk is unique and heightened in the Basin:**
 - Increased costs primarily due to regulatory environment, seasonality, and remoteness
 - Complex entitlement process and timing uncertainty
 - Perception among equity investors: predevelopment cost “black hole”
- **Implication: investors deterred**
 - Difficult to estimate costs and project returns
 - Investment shifts to other areas and opportunities



Entitlement Process

FINDINGS

1. Fragmented and confusing entitlement process with some projects taking in excess of 4-5 years.
2. Duration of entitlement process increases developer uncertainty and risk and carry costs.

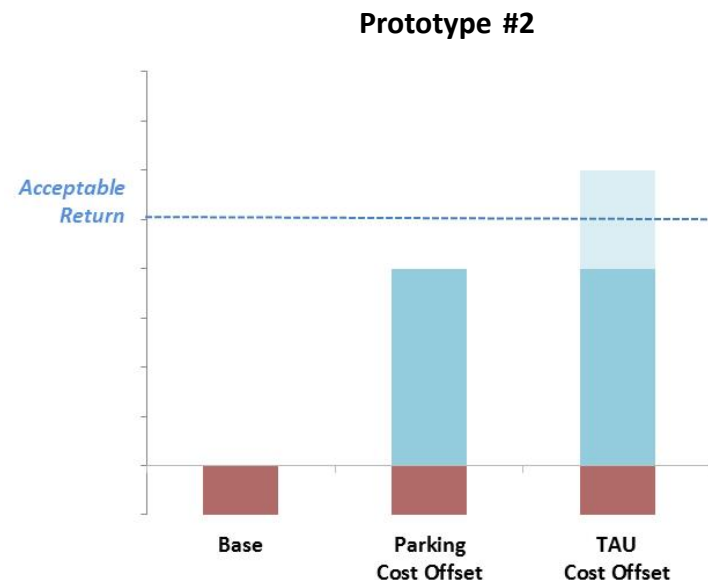
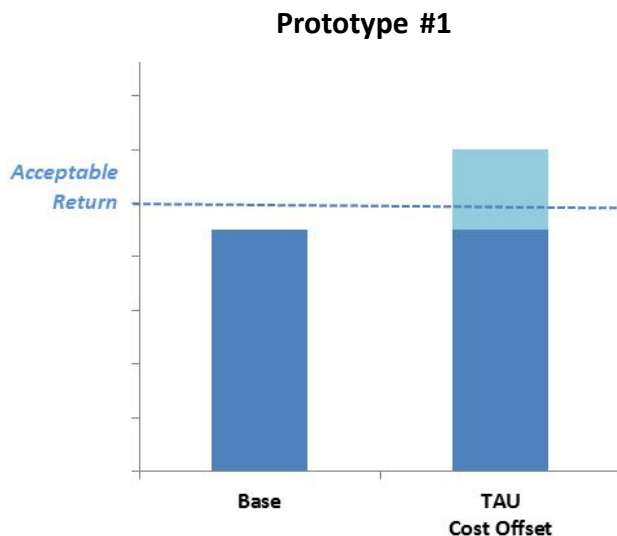


RECOMMENDATIONS

1. Timeframe needs to be reduced to 2 years.
2. County needs to become an advocate for quality projects, to be further refined in the Business Plan.
3. Alignment of entitlements between County and other agencies is crucial to success.
4. Recognize rural/urban distinction and improve plans process.
5. Coordinate with TRPA to accrue commodities.

Development Economics

- **Prototype 1: 120-room condo-hotel** project, surface-parked
- **Prototype 2: 80-room mixed-use** project including condo-hotel plus office, retail, and structured parking
- **Findings:** Development costs in the Basin are cost prohibitive without public assistance to offset costs of “commodities” (primarily TAUs) and infrastructure (primarily structured parking requirements).



Overview: Key Findings

Market Failure:

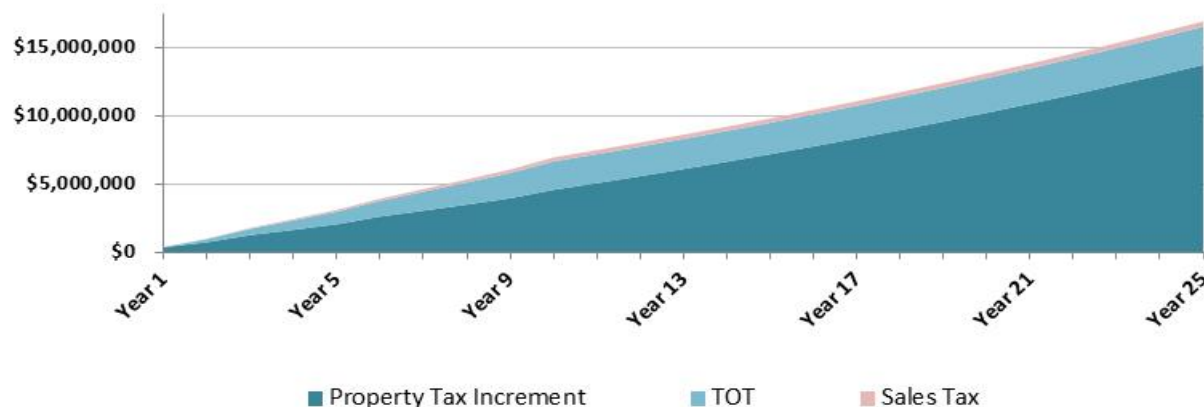
- Environment at risk
- Financial risks exceed rewards
- Up-front equity is a key risk
- Overcome investor inertia

Solutions:

- Streamline entitlements
- Offset extraordinary costs
- Public-Private Partnerships

Results

- Viable projects on infill opportunity sites
- Strategic public investment tees up private development
- Private investment yields County revenue for economic and environmental sustainability



Leading Financial Strategies

FINDINGS

1. **Capital markets are favorable for hospitality investors seeking debt and equity.**
2. **Financial and regulatory strategies are needed to eliminate obstacles, primarily TAU acquisition and structured parking costs.**

RECOMMENDATIONS

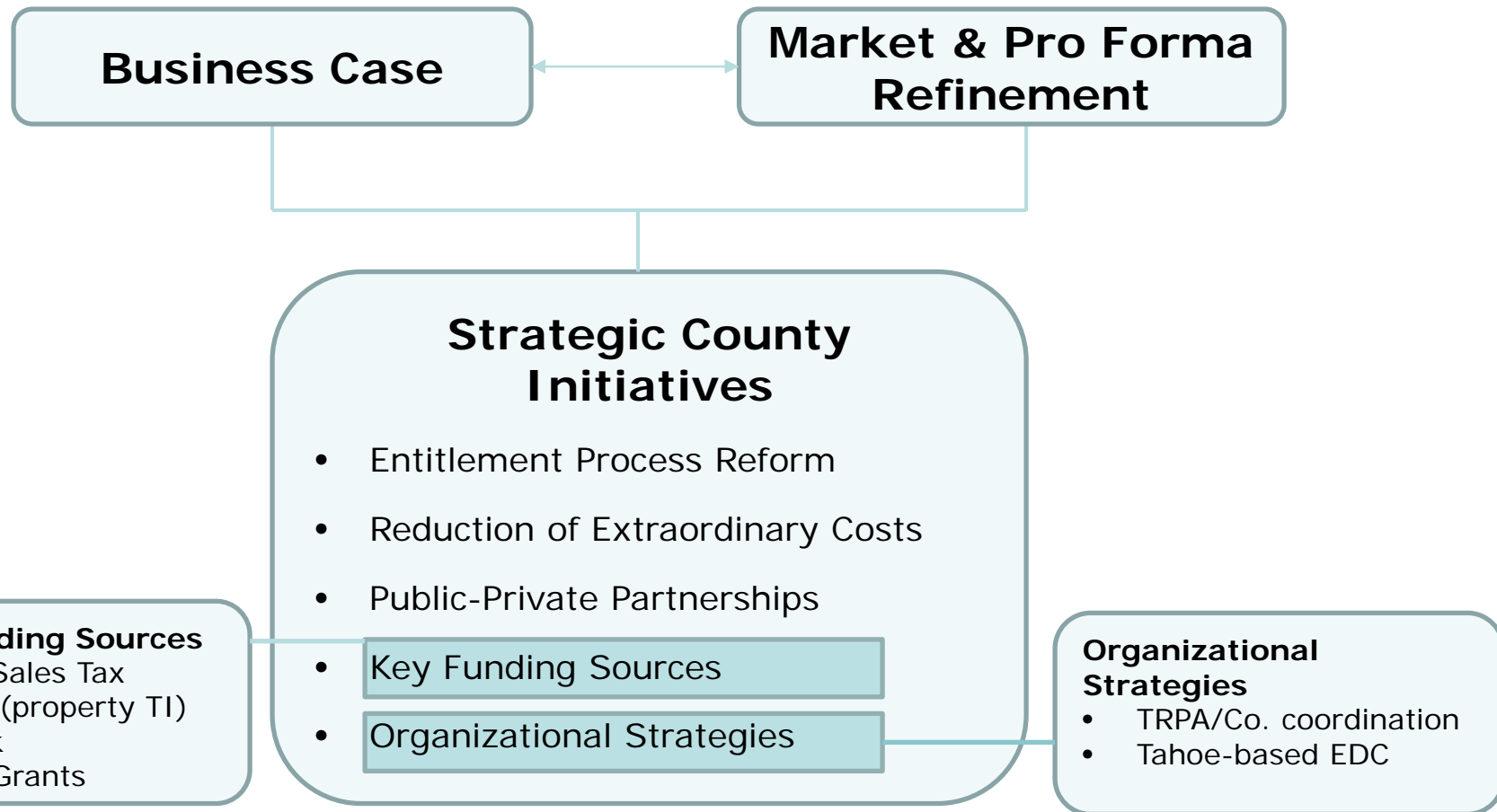
1. **Invest Net New TOT and Sales Tax Revenue.** 400 additional accommodations and 100,000 SF of commercial space developed over time could generate additional net new TOT and Sales Tax revenue of up to \$2 million annually. These funds could be used to secure debt or on a pay-as-you-go basis in acquiring commodities and other uses.
2. **Property Tax Increment (TI) Financing.** Enhanced IFD's are emerging as a leading candidate for infrastructure financing with easier formation requirements and an expanded list of uses. This may be a contributing source of structured parking funding.
3. **Obtain Outside Funding through low-interest loans and grants.** For example, I-Bank is an option, but "readiness requirements" calling for evidence of permit approval mandate that additional certainty be given to development process and approvals.

Conclusions

- Viable Town Centers lead to positive environmental, social, and economic outcomes for the Tahoe Basin community.
- Next step: business plan offering refined market/financial review, define business case for strategic public investment.



Business Plan Elements



Immediate Recommendations

(see staff report for additional information)

1. Align Agency Land Use Development Process

- County to lead and manage process improvements to facilitate desired environmental redevelopment projects to a targeted timeline of about two years.
- Create a multi-agency process map with complete breakdown of costs and fees, timelines showing all agency approvals needed at each step of the process; eliminating the need for applicants to submit multiple/duplicate information.
- Appoint expert staff member or consultant to manage larger scale projects with in-depth Tahoe experience.

2. Offset Extraordinary Costs

- Each project will have unique commodity requirements, but most redevelopment involving accommodations will require the acquisition of TAUs. It is recommended that Placer County immediately initiate a program to obtain, bank and make TAUs available to projects that meet desired environmental and economic objectives.

Immediate Recommendations Cont.

(see staff report for additional information)

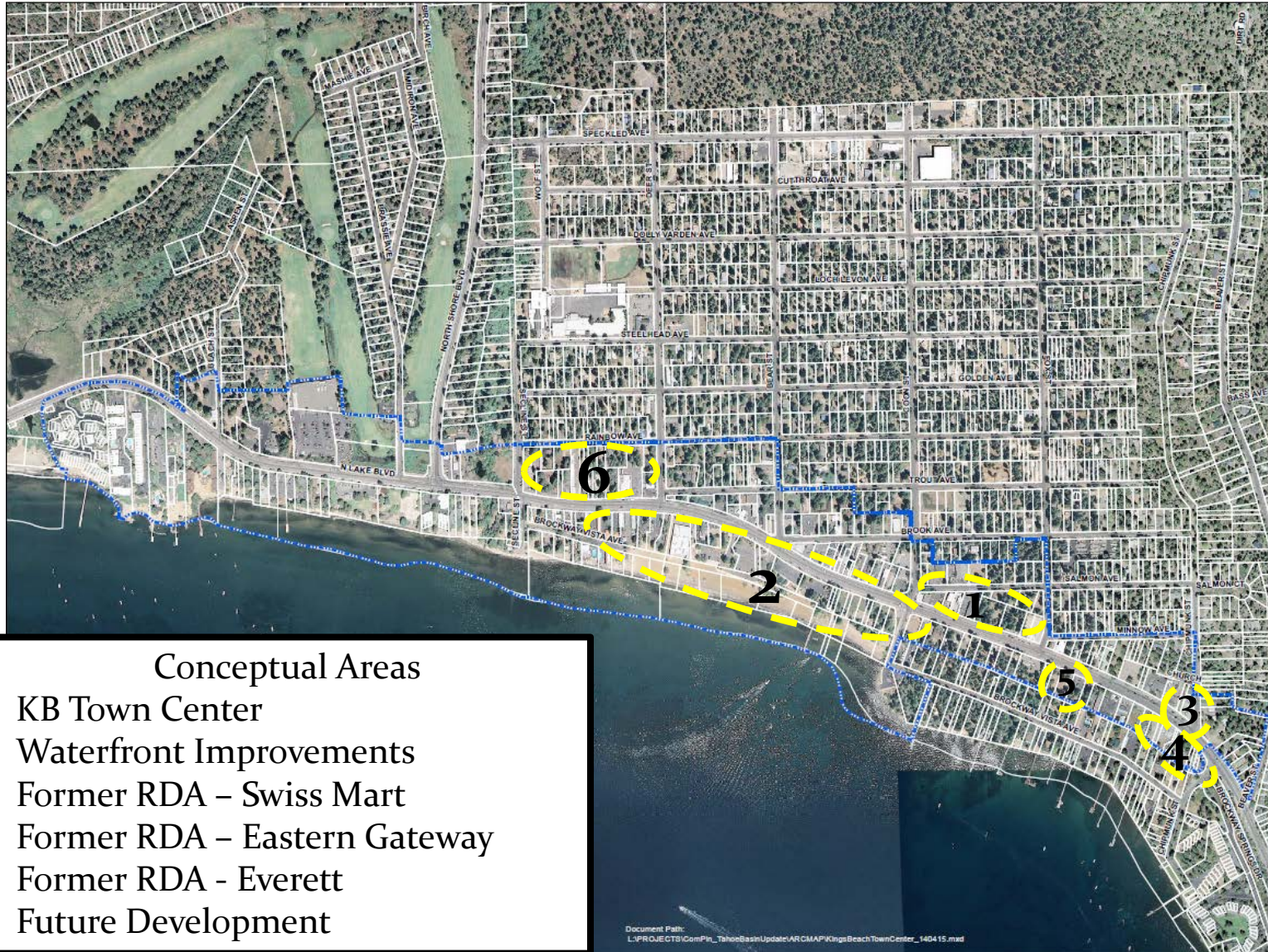
3. Adopt Best Practices in Parking and Fund Structured Parking Costs as Necessary

- Shared parking, centralized parking, in-lieu fees, and peak time-of-use analysis should be given strong consideration in the forthcoming Area Plan, and mixed use requirements tailored specific to future needs in the Town Centers.
- Public financing, such as Enhanced Investment Finance Districts, should be further explored by the County's business plan as an alternative to facilitate public-private partnerships to implement and share parking costs, especially as those costs are often directly related to tourism, environmental benefits and facilitating walkable communities.

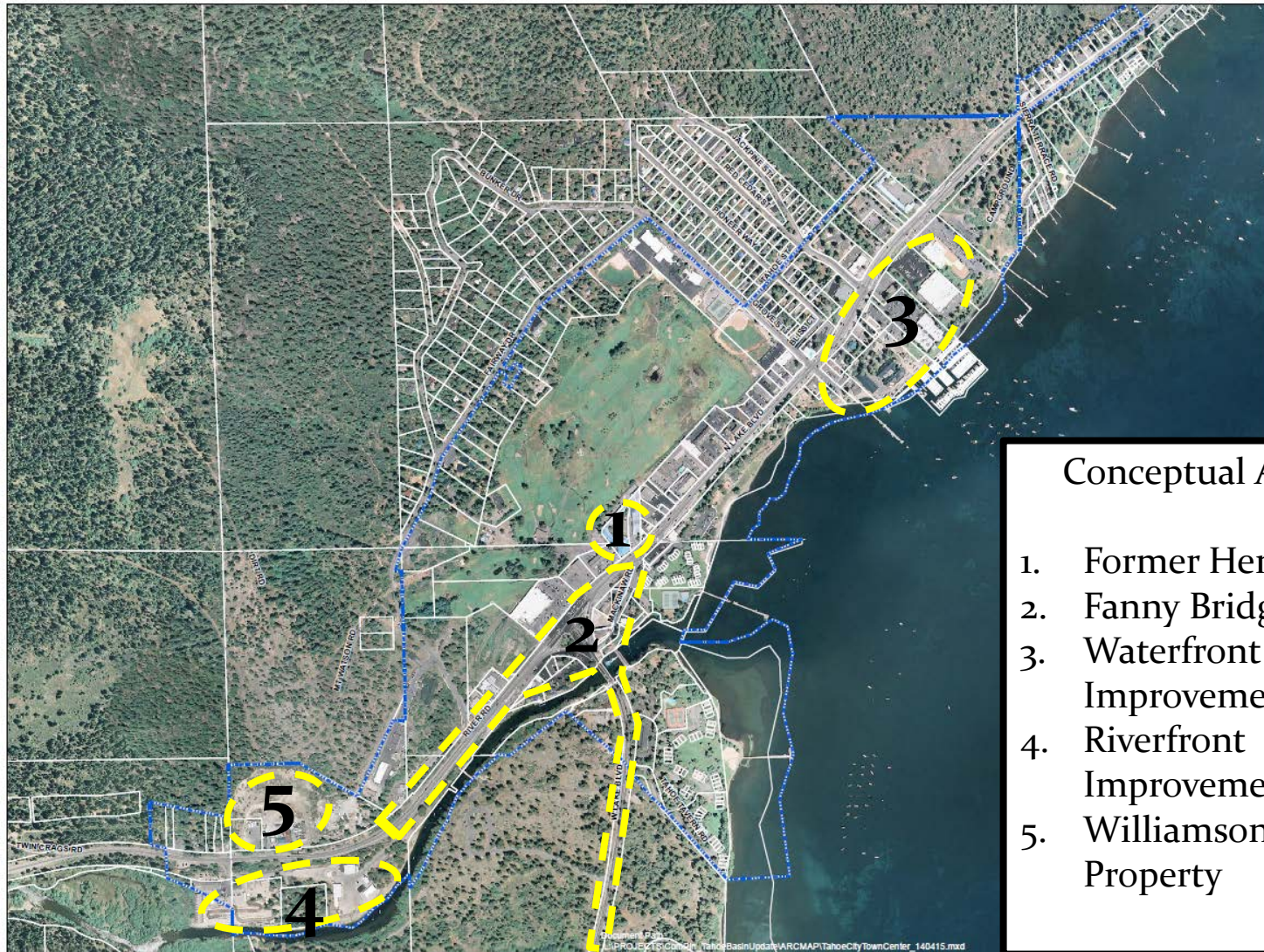
4. Accept the Report draft and direct staff to complete the subsequent Business Plan. Utilizing data in the report and additional market-specific studies, the Business Plan will provide a road map for implementing Report recommendations, including development of specific parameters related to return on the County's investment for any incentives utilized.

Questions/Discussion

Potential Kings Beach Opportunity Sites



Potential Tahoe City Opportunity Sites



Conceptual Areas

1. Former Henrikson
2. Fanny Bridge
3. Waterfront Improvements
4. Riverfront Improvements
5. Williamson Property